



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

April 13, 2016

Ms. Pamela M. Taylor, Administrator
Honorage Nursing Home of Florence, S.C. Inc.
1207 North Cashua Drive
Florence, South Carolina 29501

Re: AC# 3-HNH-J1 – Honorage Nursing Home of Florence, S.C. Inc. d/b/a
Honorage Nursing Center

Dear Ms. Taylor:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2010 through September 30, 2011. That report was used to set the rate covering the contract period beginning October 1, 2012.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

Yours very truly,

A handwritten signature in blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA
State Auditor

GLKIII/cwc

cc: Mr. Jeff Saxon
Ms. Melissa Simmons
Mr. Byron Roberts
Ms. Nicole Mitchell Threat
Ms. Brittany Sandifer
Ms. Chari Preacher

**HONORAGE NURSING HOME OF FLORENCE, S.C. INC.
D/B/A HONORAGE NURSING CENTER**

FLORENCE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2012
AC# 3-HNH-J1**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 10, 2016

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Honorage Nursing Home of Florence, S.C. Inc. d/b/a Honorage Nursing Center for the contract period beginning October 1, 2012, and for the twelve month cost report period ended September 30, 2011, as set forth in the accompanying schedules. The management of Honorage Nursing Home of Florence, S.C. Inc. d/b/a Honorage Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Honorage Nursing Home of Florence, S.C. Inc. d/b/a Honorage Nursing Center to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days and Adjustment Report sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Honorage Nursing Home of Florence, S.C. Inc. d/b/a Honorage Nursing Center dated as of October 1, 2011, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 10, 2016

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



George L. Kennedy, III, CPA
State Auditor

HONORAGE NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2012
AC# 3-HNH-J1

	10/01/12- <u>09/30/13</u>
Interim Reimbursement Rate (1)	\$167.74
Adjusted Reimbursement Rate	<u>165.25</u>
Decrease in Reimbursement Rate	\$ <u><u>2.49</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 12, 2015.

HONORAGE NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 2012 Through September 30, 2013
 AC# 3-HNH-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 90.69	\$ 96.77	
Dietary		18.30	17.38	
Laundry/Housekeeping/Maintenance		<u>19.75</u>	<u>16.63</u>	
Subtotal	<u>\$2.04</u>	128.74	130.78	\$128.74
Administration & Medical Records	<u>\$4.75</u>	<u>18.86</u>	<u>23.61</u>	<u>18.86</u>
Subtotal		147.60	<u>\$154.39</u>	147.60
<u>Costs Not Subject to Standards:</u>				
Utilities		4.59		4.59
Special Services		.07		.07
Medical Supplies & Oxygen		6.06		6.06
Taxes and Insurance		4.30		4.30
Legal Fees		<u>.63</u>		<u>.63</u>
TOTAL		<u>\$163.25</u>		163.25
Inflation Factor (N/A)				-
Cost of Capital				6.79
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.75
Cost Incentive				2.04
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.04)
Budget Neutrality Adjustment (3.805%)				<u>(6.54)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$165.25</u>

HONORAGE NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2011
 AC# 3-HNH-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,820,574	\$10,941 (3)	\$ 3,471 (2)	\$2,828,044
Dietary	534,327	36,401 (3)	-	570,728
Laundry	55,583	-	-	55,583
Housekeeping	290,420	-	-	290,420
Maintenance	284,982	-	15,086 (2)	269,896
Administration & Medical Records	594,140	-	5,999 (1)	588,141
Utilities	143,251	-	-	143,251
Special Services	2,030	-	-	2,030
Medical Supplies & Oxygen	270,007	-	47,342 (3) 15,714 (4) 17,889 (6)	189,062
Taxes and Insurance	136,976	-	2,867 (2)	134,109
Legal Fees	39,609	-	19,859 (5)	19,750
Cost of Capital	<u>211,746</u>	<u>-</u>	<u>-</u>	<u>211,746</u>
Subtotal	5,383,645	47,342	128,227	5,302,760

HONORAGE NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2011
AC# 3-HNH-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	-	15,714 (4)	-	15,714
Nonallowable	979,482	5,999 (1) 21,424 (2) 19,859 (5) 17,889 (6)	-	1,044,653
CNA Training and Testing	<u>784</u>	<u>-</u>	<u>-</u>	<u>784</u>
Total Operating Expenses	<u>\$6,363,911</u>	<u>\$128,227</u>	<u>\$128,227</u>	<u>\$6,363,911</u>
Total Patient Days	<u>31,185</u>	<u>-</u>	<u>-</u>	<u>31,185</u>
Total Beds	<u>88</u>			

HONORAGE NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-HNH-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$ 5,999	\$ 5,999
	To remove nonallowable telephone expense HIM-15-1, Sections 2103, 2162.2 and 2304 State Plan, Attachment 4.19D		
2	Nonallowable Restorative Maintenance Taxes and Insurance	21,424	3,471 15,086 2,867
	To disallow expense associated with non-reimbursable vehicles HIM-15-1, Sections 2103 and 2304 State Plan, Attachment 4.19D		
3	Nursing Dietary Medical Supplies	10,941 36,401	47,342
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
4	Ancillary Medical Supplies	15,714	15,714
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
5	Nonallowable Legal	19,859	19,859
	To disallow expense not related to patient care HIM-15-1, Section 2105.10 State Plan, Attachment 4.19D		

HONORAGE NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2011
AC# 3-HNH-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Medical Supplies	17,889	17,889
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$128,227</u>	<u>\$128,227</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

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